

Division of Social Services
Rule Title: Procedures/Reimbursement for Adoption Assistance Benefits

Date: February 10, 2011

Type of Rule Action: This is a proposal for:

_____ New Rule

X Amended Rule

_____ Repealed Rule

Nature of Impact: X State Impact

X Local Impact

_____ Substantial Economic Impact

_____ Federal Impact

_____ Small Business Impact

X Significant Economic Impact

Rule Information: 10A NCAC 70M .0401 and .0403

Statutory Authority: G.S. 108A-49; 108A-50; 143B-153

Section: Division of Social Services | Child Welfare Services
Kevin Kelley 919.334.1135

Subject: Rules governing Vendor Payments and State Adoption Assistance

This rule change proposes to discontinue the Recurring Adoption Assistance Vendor Payments and the State Adoption Assistance for adopted children with special needs.

Background: *Vendor Payments*
Adoption Assistance Vendor Payments (annual/recurring) were established to provide special financial support to children who were previously in the foster care system, following their placement in permanent adoptive homes. Adoptive parents can claim up to \$2,400 per year for each child adopted. Claims are made to reimburse parents for specific goods or services that a qualified professional has recommended to address a need of the child identified in the eligibility determination process prior to the adoption finalization. Recurring vendor payments are comprised of state and local dollars, as well as federal dollar that are administered by the state. Local Counties have a 20% share in the costs.

Reimbursements for Non-recurring are not proposed to be eliminated. Non-recurring vendor payments are designed to address costs incurred in the course of getting the adoption proceedings to the final decree action. Typically, Non-recurring adoption vendor payments are legal fees to attorneys for adoption filings of all required actions.

It should be noted that all adoptive parents of children who were in the foster care system will continue to receive regular monthly cash assistance for routine child rearing expenses, often referred to as the board payment. Parents are not required to make a request for these payments. The monthly board payment continues until the child reaches his/her 18th birthday. The amount of the monthly board payments is determined by the General Assembly. The current amounts are: \$475 per month for children age 0 to 5, \$581 per month for children age 6 to 12, and \$634 per month for children age 13 until they reach their 18th birthday.

State Adoption Assistance

State Adoption Assistance was established to support families who adopted children with special needs, but were not in the foster care system. The Assistance is a monthly payment at a rate set by the General Assembly. Rule 70M .0403 would eliminate this state funded offering for children who were not previously in the foster care system. Some of these children will be eligible under the title IV-E funding as amended by the Fostering Connections to Success Act. Note that only the assistance provided from state funds is proposed for change, and assistance from county governments would continue.

Both the Recurring Adoption Assistance Vendor Payments and the State Adoption Assistance are state funded optional services the Division of Social Services is proposing to be eliminated only for new adoptions (see Appendix 1 for proposed rule text changes). All current adoption assistance agreements will continue to remain in effect.

Rationale:

These services no longer support the core mission of the Division of Social Services. They were originally intended to provide services and resources to children adopted out of the foster care system or to address these children's special needs. The Division no longer believes that the provision of these resources is utilized appropriately and therefore believes that the funds should not continue.

Impact and Assumptions:

1. The information provided below assumes the earliest effective date of July 1, 2011. These rules are tied to special provisions in the budget that are before the General Assembly, so the effective date depends on those special provisions being passed.
2. Number of People Affected:
The number of adopted children claiming Adoption Assistance recurring vendor payments varies from month to

month, based on the needs of the child(ren), at the time. Existing agreements would remain in effect; only adoption finalized on or after July 1, 2011 would be impacted. Our estimate is that the rule change would affect 39 children in 2012, 50 children in 2013, 65 children in 2014, 84 children in 2015 and 109 in 2016 (see Appendix 2 for information on how these numbers were forecasted). The anecdotal information on these payments suggests they are often used to pay for: computers, summer camps, extra-curricular activities/lessons, tutoring, vacation events, televisions and video gaming systems.

Following on the note above, families would continue to receive the monthly cash assistance for routine expenses, as well as Medicaid for health insurance. As the monthly board payment and Medicaid coverage are the primary financial support for adoption, the Division does not expect any reductions in families willing to adopt children as a result of this rule change. In 2010, the Division initiated an effort to engage county departments of social services on this topic. Following their review the implementation of the vendor payment policy, several corrective actions were implemented. As this became a focus of attention, a dramatic decline in the number of approvals for recurring vendor payments was observed. Since that time, the Division has not seen a decline in the number of adoptions. Additionally, the Division has not heard of any instance where adoptive families expressed a reluctance to adopt without the recurring vendor payment assistance.

State Adoption Assistance is currently provided for children with special needs, not previously served by the foster care system. The number of new adoptions that would be impacted by this change is estimated to be 26 for 2012, 12 for 2013, 8 for 2014, 3 for 2015 and 0 for 2016 (see Appendix 3 for details). Recent changes to the federal assistance program of title IV-E eligibility will enable many of these children to receive assistance with federal financial participation. The changes to federal participation are being phased in over a nine year period. Each year of the nine year period, the eligible age of the child at the time of the adoption will decrease by 2 years. This change was titled "Fostering Connections to Success". The initial implementation of this provision was for FFY 2010. Thus, in FFY 2010, children who were adopted after reaching their 16th birthday might be eligible for Title IV-E federal financial assistance. As we are now in FFY 2011, any child adopted after reaching his/her 14th birthday may be eligible. The final implementation takes place for FFY 2018. At that time any child who meets the criteria, will be eligible.

3. Projected Cost of the Rule:

Adoption Assistance recurring vendor payments are made for the cost of the service designed to address the child's specific special need. Payments are made throughout the year, but

cannot exceed \$2,400 per year. See Table 1 below for estimated savings from eliminating these payments for the next five years. Note that while these are savings for the Department, they are costs to the families that would now have to cover these service provider costs.

State adoption assistance payments are issued monthly, for a fixed amount, based on the age of the child. The current rates are: \$475/month for ages 0 to 5, \$581/month for ages 6-12, and \$634/month for ages 13 to 18. Payments cease when the child reaches his/her 18th birthday. See Table 2 below for estimated savings for the Department/ costs to the adoptive families from eliminating these payments for the next five years. Again, all existing agreement would be honored; however, no new agreements would be made after the rule becomes effective.

For summary of savings and costs by affected parties, see Table 3 below.

4. Source of Funding to Support Additional Costs:
N/A. The rule change does not create any costs from the state government.
5. Impact on Other Programs:
N/A
6. Counties Uniquely Affected:
All 100 counties serve children in the Adoption Assistance programs. The data suggests the rate is representative of each counties population. Any variance across the state is unexplainable at this time.
7. Number of Counties Already Budgeting for Proposal or Utilizing County Funds to Provide Services:
While all 100 counties participate in the Adoption Assistance recurring vendor payments, as a percentage of any county's budget is less than the variance accounted for in caseload changes.
8. Staff Needs:
The amount of staff time for reviewing and approving Adoption Assistance recurring vendor payments would be saved. The Division of Social Services estimates the savings at the local level to be minimal. Anecdotal information suggests this is a very small amount of time for a few staff. There are county shares in the cost of the Adoption Assistance recurring vendor payment program. The State Adoption Assistance is limited to a one time eligibility determination process. The current number of children receiving State Adoption Assistance is extremely small when viewed in the perspective of workload. While some savings would be realized, this is too small to measure at this time.

Table 1. Estimated Savings to Department and Local Governments/ Costs to Families for Vender Payments Program

Year	Federal Savings*	State Savings	Local Gov't Savings	Cost to Families
SFY 2012	\$12,669	\$5,788	\$4,223	\$22,680
SFY 2013	\$17,055	\$6,384	\$5,685	\$29,124
SFY 2014	\$22,961	\$7,040	\$7,654	\$37,655
SFY 2015	\$30,911	\$7,764	\$10,304	\$48,979
SFY 2016	\$41,615	\$8,563	\$13,872	\$64,049
Total (undiscounted)	\$125,211	\$35,539	\$41,737	\$202,487

* These savings would actually occur to the state since they are federal funds administered by the state.

For a detailed explanation of the methodology for determining the fiscal impact of the proposed rule change for Adoption Assistance Recurring Vendor Payments, please see Appendix 2 on Method of Determining Impact of Elimination of Recurring AA Vendor Payments.

Table 2. Estimated Savings to Department and Local Governments/ Costs to Families for the State Adoption Assistance Program

Year	Federal Savings	State Savings	Local Gov't Savings	Cost to Families
SFY 2012	-	\$177,456	-	\$177,456
SFY 2013	-	\$262,915	-	\$262,915
SFY 2014	-	\$319,654	-	\$319,654
SFY 2015	-	\$342,312	-	\$342,312
SFY 2016	-	\$327,218	-	\$327,218
Total (undiscounted)	-	\$1,429,555	-	\$1,429,555

For a detailed explanation of the methodology for determining the fiscal impact of the proposed rule change for State Adoption Assistance, please see Appendix 3 on Method of Determining Impact of Elimination of State AA Payments.

Table 3. Summary of Total Savings and Costs to Affected Parties

Year	Total Federal Savings*	Total State Savings	Total Local Gov't Savings	Total Cost to Families
SFY 2012	\$12,669	\$183,244	\$4,223	\$200,136
SFY 2013	\$17,055	\$269,299	\$5,685	\$292,039
SFY 2014	\$22,961	\$326,694	\$7,654	\$357,309
SFY 2015	\$30,911	\$350,076	\$10,304	\$391,291
SFY 2016	\$41,615	\$335,781	\$13,872	\$391,268
Total (undiscounted)	\$ 125,211	\$1,465,094	\$41,737	\$1,632,043
5-year Net Present Value**	\$105,644	\$1,262,205	\$35,215	\$1,403,064

* These savings would actually occur to the state since they are federal funds administered by the state.

** Calculated as of July 2011, using 7% discount rate.

Alternatives:

Alternatives to the elimination of the Adoption Assistance recurring vendor payment system would include leaving the program in place as it is today. The Division is concerned that this would perpetuate the issues discovered in reviewing this program. Specifically, that a great number of purchases would be executed that did not meet the criteria for the program. County departments of social services staff are faced with adoptive parents who have sacrificed a great deal, and are providing a valuable resource to the state. As social workers are trained to provide assistance, and want to ensure the families do not express negative feelings, there is significant pressure to approve the payment requests.

An additional alternative would be to reduce the total annual amount of payments each child may receive. This option would not address the inappropriate payments, but merely reduce the overall negative impact.

Alternatives to eliminating the State Adoption Assistance payments would be limited to maintaining the program as is. Reducing the monthly amount would be very confusing to all parties involved, and not address the core issue presented.

Appendix 1 – Proposed Rule Text Amendments

SECTION .0400 – ADOPTION ASSISTANCE: GENERAL

10A NCAC 70M .0401 is proposed for amendment as follows:

10A NCAC 70M .0401 ADOPTION ASSISTANCE DEFINED

- (a) ~~Regular~~ For Purposes of this Section, regular monthly cash assistance payments means the graduated rates set by the General Assembly. The payments may be made to children who meet the requirements set out in Rule .0402 of this Section.
- (b) Vendor payments are made directly to the provider, including adoptive parents, for medical services not covered by Medicaid, therapeutic, psychological, and remedial services for children who meet the eligibility criteria set out in Rule .0402 of this ~~Section.~~ Section, except that no vender payment shall be approved by a county Department of Social Services or made for any adoption in which the Decree of Adoption is issued on or after July 1, 2011.
- (c) Special Children Adoption Incentive Fund payments may be made to children who meet the requirements as set out in Rule .0404 of this Section.

*History Note: Authority G.S. 108A-49; 108A-50; 143B-153;
Eff. July 1, 1982;
Amended Eff. July 1, 2011; July 18, 2002; July 1, 1991; September 1, 1986.*

10A NCAC 70M .0403 is proposed for amendment as follows:

**10A NCAC 70M .0403 PROCEDURES/REIMBURSEMENT OF ADOPTION ASSISTANCE
BENEFITS**

(a) Adoption assistance benefits for which ~~the~~ a child may be eligible will become effective the first month following the month in which the Decree of Adoption is issued.

(b) Claims from service providers and monthly cash assistance ~~will~~ shall be reimbursed or provided from adoption assistance funds in accordance with the Department of Health and Human Services county department of social services reimbursement process, subject to the following limitations:

- (1) Vendor payments to adoptive parents, medical providers and to providers of psychological, therapeutic, and remedial services ~~will~~ shall be made only for treatment or services given to alleviate or correct those ~~special~~ conditions for which the child has been determined eligible to receive benefits.
- (2) The total amount for vendor payments for any ~~combination of the following services:~~ combination of medical services not covered by ~~Medicaid;~~ Medicaid including psychological, therapeutic services or remedial services for any child shall not exceed two thousand four hundred dollars (\$2,400.00) per State fiscal year.
- (3) Vendor payments ~~will~~ shall not be made to reimburse providers for the following:
 - (A) routine medical examinations;
 - (B) illnesses or conditions not related to or resulting from the conditions for which the child was determined eligible for vendor payments;
 - (C) services or treatment provided to the child prior to entry of the Decree of Adoption; and
 - (D) services or treatment that may have been provided on or after the first day of the month following the month in which the child's eligibility ceases.

(c) No local match, in terms of dollars, is required for funds for those children certified to receive benefits under the State Fund for Adoptive Children with Special Needs who are the placement responsibility of licensed private child-placing agencies with the exception of monthly cash payments for those children who are eligible for benefits from Title IV-E of the Social Security Act. No monthly cash assistance payments from the State Fund for Adoptive Children with Special Needs shall be made for any adoption in which the Decree of Adoption is issued on or after July 1, 2011.

History Note: Authority G.S. 108A-49; 108A-50; 143B-153;

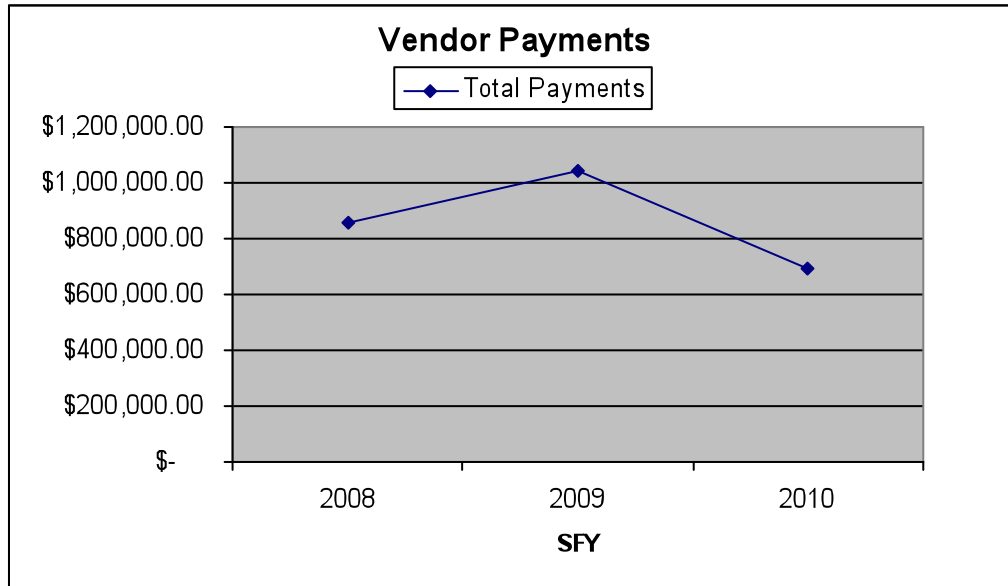
Eff. July 1, 1982;

Amended Eff. July 1, 2011; July 18, 2002; July 1, 1991; March 1, 1990.

Appendix 2 - Method for Estimating the Impact of Elimination of Non-Recurring Vendor Payments

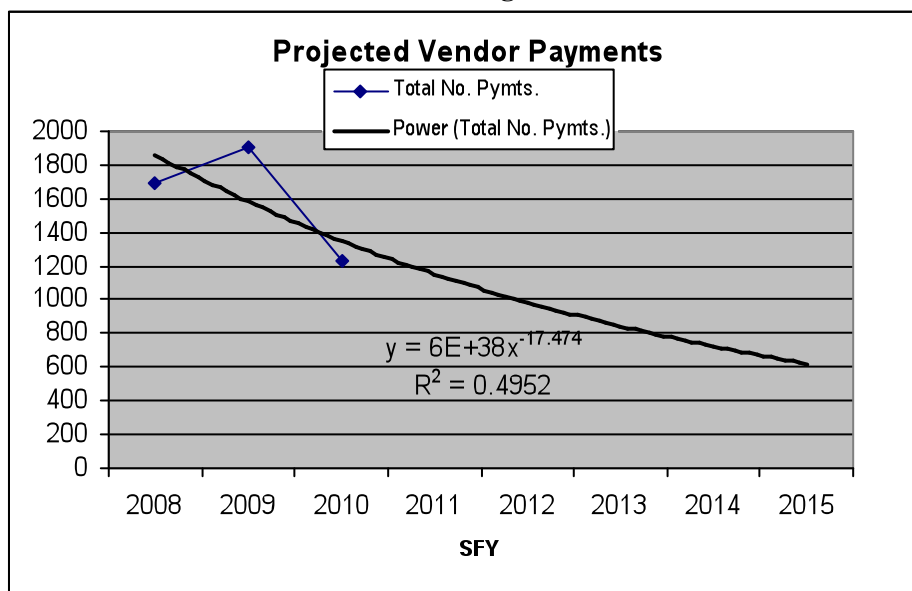
1. Net year to date expenditures for Vendor Payments funded by IV-B, IV-E and State funds were obtained for SFYs 2008, 2009 and 2010 from report PQA-036 C.P.P.S. SUMMARY OF ASSISTANCE EXPENDITURES & AVERAGE PAYMENTS (Vendor Payments). Recipient counts (counts of unduplicated individual IDs, within each funding category, receiving payments) were also obtained from these reports.

Figure 1.



2. Unduplicated counts (within each funding category and payment type – Non-Recurring and Recurring Medical and Therapy) of individuals receiving Vendor Payments for each of the three SFYs were obtained by querying the Client Services Data Warehouse CPPS Check History table.
3. Unduplicated counts (within each funding category and payment type – Non-Recurring and Recurring Medical and Therapy) of **new** individuals (those who first began receiving payments within each SFY) receiving Vendor Payments for each of the three SFYs were obtained by querying the Client Services Data Warehouse CPPS Check History table.
4. The percentage of **new** recipients for each funding category and payment type, for each of the three SFYs was determined, and from those data, the percentage of **new** individuals receiving Medical & Therapy (Recurring) payments was determined.
5. The percentages of **new** recipients of Medical and Therapy payments (#4 above) was applied to the Net Expenditures for all Vendor Payments (#1 above) for each of the SFYs, yielding an estimate of the expenditures for Medical & Therapy Payments. This provides a comparative “baseline” for annual Medical and Vendor Payments for **new** recipients only each SFY. (Note: No Medical or Therapy payments are made using IV-E as a funding source.)
6. For each of the funding sources, the number of all Vendor Payments for SFYs 2011 through 2016 was projected (using an exponential growth trend formula, which seems to be the best fit for the data analyzed), based on the recipient counts from the PQA-036 reports (#1 above).

Figure 2



7. Using the data described in #2 and #3 above, the number of recipients of Vendor Payments and **new** Medical and Therapy payments, for each of the fund sources was projected for SFYs 2011 through 2016, to determine the expected number of new recipients of Medical and Therapy (Recurring) Vendor Payments for each SFY.

Table A2.1

SFY	Estimated Number of New Recurring Vendor Payments
2012	39
2013	50
2014	65
2015	84
2016	109

8. Using the results of steps #7, the percentage of **new** Medical and Therapy payments of all Vendor Payments, for each fund source and SFY (2011 through 2016) was calculated.
9. For each fund source, the average Medical and Therapy Payment Amount in June of SFYs 2008, 2009 and 2010 was obtained using data from report PQA-030 ADOPTION ASSISTANCE VENDOR PAYMENT REPORT. The three-year Average Payment Amount for Medical and Therapy payments was determined for each fund source; about \$600 for IV-B and \$533 for State Funds. (Again, note that no Medical or Therapy payments are funded with IV-E.)
10. To determine the estimated expenditures on Medical and Therapy Vendor Payments for each of SFYs 2011 through 2016, for each fund source, the estimated percentage of **new** recipients of Medical & Therapy payments (#8) was applied to the projected number of all Vendor Payments for each of the SFYs (#6), multiplied by the appropriate Average Payment Amount for Medical and Therapy payments (#9). The projected costs (\$0.00 for IV-E) were then summed for each SFY.

Table A2.2

SFY	Estimated Total Savings
2012	\$22,680
2013	\$29,124
2014	\$37,655
2015	\$48,979
2016	\$64,049

Assumptions:

1. Number of new Vendor Payments will follow the same trend as observed over SFYs 2008, 2009 and 2010.
2. The Average Payment Amount for Medical and Therapy vendor payments will be close to that average for SFYS 2008 through 2010.
3. The number of adoptions for which Recurring Vendor Payments are made will not significantly increase or decrease over the next six years.

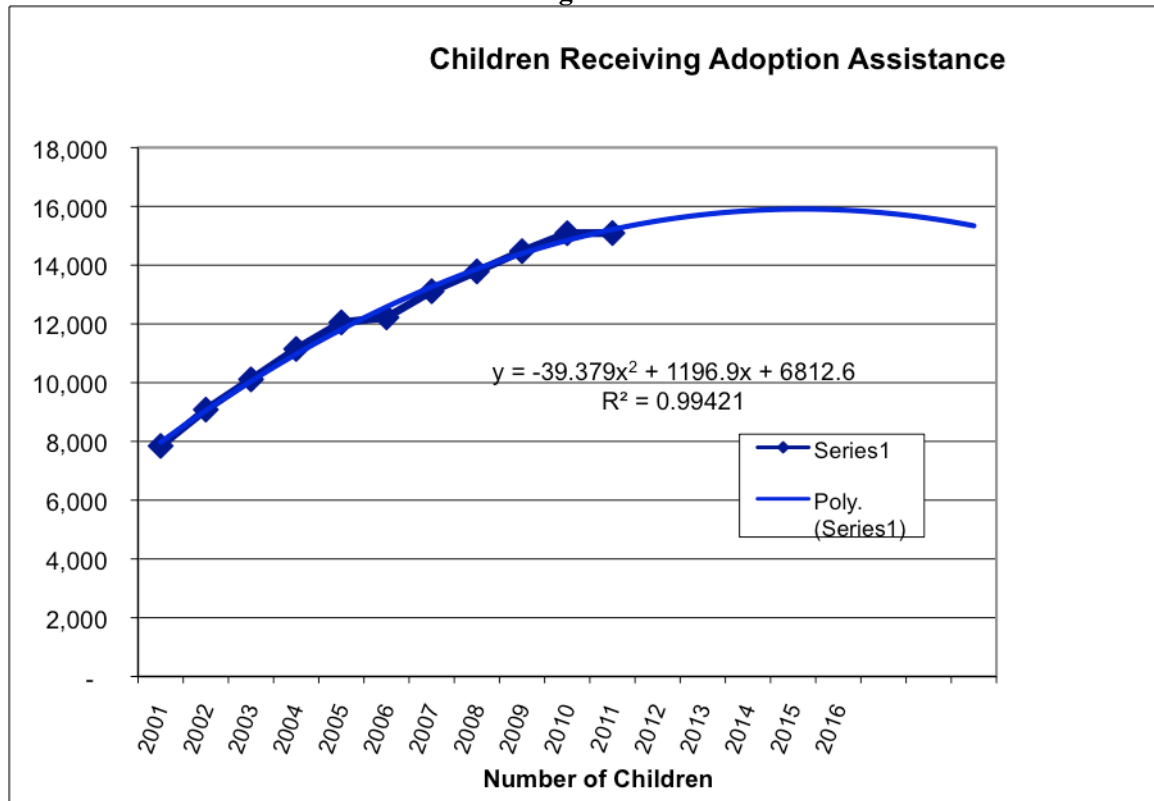
Impact of erroneous assumptions:

As with all assumptions, the actual events could vary, with respect to a single assumption or some combination, impacting the values predicted from the data, given the assumptions made, in either direction. In this case, the proposal is to eliminate a category of spending rather than add one. Therefore, regardless of what transpires in relation to the assumptions, the worst that could happen is that conditions prevail such that any potential savings from the proposed change are negated or largely obscured by increases in other spending. On the other hand, unless records are kept of how many potentially eligible recipients do not receive the (eliminated) payments, it will be impossible to tell whether the projected or some greater amount of savings is realized. The best one can say is, given what we know one might expect to save the projected amounts.

Appendix 3 - Method for Estimating the Impact of Elimination of State Adoption Assistance Payments

1. Previous projections of Adoption Assistance Expenditures for SFYs 2011 through 2015 were updated using latest available data through January 2011. The usual method was used.
 - a. The number of payments for June of SFY's 2012 through 2015 was projected using a polynomial regression based on the number of Adoption Assistance payments made in June of each SFY since SFY 2001 (obtained from report PQA-046 C.P.P.S. SUMMARY OF ASSISTANCE EXPENDITURES & AVERAGE PAYMENTS – Cash Payments). The updated projections were then extended to SFY 2016. Annual growth rates were then calculated from these projected counts.

Figure 3



- b. Child Placement and Payment System (CPPS) data was queried in the Client Service Data Warehouse to determine, by funding source (IV-B, IV-E and State) the number of children receiving Adoption Assistance Payments between ages 0 to 5, 6 to 12 and 13 or older in January 2011.
- c. Federal, State and County shares of expenditures for a single month (in this case, January 2011) were then calculated for each age/fund source subgroup using the appropriate monthly payments for each age group.
- d. The projected expenditure amounts were summed and annualized to obtain projected expenditures for the SFY.
- e. The growth rate for the next SFY obtained in #1.a. above was applied to the January 2011 recipient counts to project the recipient counts for SFY 2012 and the process described in 1.c through 1.d. were repeated.
- f. This process was repeated for each remaining SFY through SFY 2016, using the appropriate projected growth rate for each year and the projected recipient counts for the previous SFY to determine the number of payments for each age/fund source subgroup.

Table A3.1.

SFY	Growth Rates
2012	2.74%
2013	1.37%
2014	0.85%
2015	0.35%
2016	-0.15%

- g. The projected expenditures for SFYs 2011 through 2016 were transferred to a summary table.
- Based on data from June for SFYs 2007 through 2010, the average annual growth in all Adoption Assistance payments and State Adoption Assistance payments was calculated and the average percentage that was State payments (6.3%) was determined.
 - The average percentage in #2 above was then applied to the projected counts for SFYs 2011 through 2016 (from step #1.a. above) to estimate the number of State Adoption Assistance payments that might be made in June of each year, 2011 – 2016.

Table A3.2.

SFY	Estimated New State Adoption Payments
2012	26
2013	12
2014	8
2015	3
2016*	0

* The estimate of zero new state adoption payments in 2016 is due to the inherent assumptions made for the projections based on the current data. Specifically, the rates of children entering the payment system have been declining, while the number of children "aging out" of the payment system has increased. While this zero estimate may be a statistical anomaly, it is based on available data and there are no other indicators of trends that can be used to obtain a better estimate. It is unclear whether the currently observed trends will or will not continue at the same rate.

- After subtracting the estimated number of State Adoption Assistance payments for June of each year 2012 through 2016 from the projected counts (#1.a. above), the process of projecting Adoption Assistance expenditures described in #1 above was repeated, which resulted in expenditure projections for each SFY *without* any **new** State-funded Adoption Assistance payments starting with SFY 2012.
- These expenditure projections were also transferred to the summary table described in #1.g. above. The difference in the two projections, specifically, the difference in the State share of each SFY's projected expenditures, was obtained to determine the reduction in projected (State) expenditures due to the elimination of State-funded Adoption Assistance effective July 2011.

Table A3.3

SFY	Estimated Total Savings
2012	\$177,456
2013	\$262,915
2014	\$319,654
2015	\$342,312
2016	\$327,218

Assumptions:

4. Number of Adoption Assistance Payments will follow the same trend as observed over SFYs 2001 through 2010.
5. The Average Payment Amount for State Adoption Assistance payments will be close to that average for SFYS 2007 through 2010.
6. The payment rates for the three age groups will remain constant for the years covered in the projections.
7. The State share of Adoption Assistance payments will remain constant for the years covered in the projections.

Impact of erroneous assumptions:

As with all assumptions, the actual events could vary, with respect to a single assumption or some combination, impacting the values predicted from the data, given the assumptions made, in either direction. In this case, the proposal is to eliminate a category of spending rather than add one. Therefore, regardless of what transpires in relation to the assumptions, the worst that could happen is that conditions prevail such that any potential savings from the proposed change are negated or largely obscured by increases in other spending. On the other hand, unless records are kept of how many potentially eligible recipients do not receive the (eliminated) payments, it will be impossible to tell whether the projected or some greater amount of savings is realized. The best one can say is, given what we know one might expect to save the projected amounts.